

which has ranged from a low of 6.75 percent in 1977 to a high of 10.5 percent in 1982 and 1984, and has changed by an average of almost one percentage point each year--is determined by the PBGC based on market conditions at the time it revalues its liabilities. Because benefit liabilities are fixed in nominal terms, changes in this discount rate result in direct changes in the present value of liabilities: increases in the interest rate reduce the present value of benefit liabilities, and decreases in that rate add to liabilities. These same market conditions can also affect the market value of program assets, however, often in parallel ways. Higher interest rates generally imply lower bond prices, for example, and often are associated with lower stock prices, so that at least part of the effect of changes in the discount rate on program liabilities is sometimes offset by changes in asset values. 4/

Another change, which is completely predictable, is the annual revaluation of program liabilities resulting from the simple passage of time. Each year, the future due dates of annuity payments to beneficiaries move one year closer to the present, thereby increasing the present value of those liabilities. 5/ The impact of this change, plus changes in actuarial assumptions used in the program, has resulted in annual actuarial charges of as much as \$187 million. If the PBGC had assets equal to the present value of its liabilities, then--at least in principle--this growth over time in the present value of liabilities could be offset by increases in the value of program assets derived from investment returns during the same period.

Sources of income to the PBGC include premium receipts and investment income. Gains over time in annual premium income reflect small increases in the number of covered pension participants, as well as increases in the annual premium per participant. Investment income--including interest, dividends, and other income plus realized and unrealized changes in the value of assets, as discussed above--has fluctuated rather widely over the years, along with changes in the financial markets generally. Assets of the PBGC are held in a variety of investments, including government securities, stocks, corporate bonds, and real estate.

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4. Because the dollar value of liabilities of the PBGC significantly exceeds its assets, however, even proportional changes in liabilities and assets would imply a larger change in the dollar value of liabilities than of assets. One implication of this result is that, in general, higher interest rates have tended to help the financial condition of the PBGC and lower rates have tended to hurt it.
 5. Recall that the present value is the amount of money that would be needed today so that, together with the investment income it would generate, it would be sufficient to pay liabilities when they are due.

Claims Experience of the PBGC

Only a small minority of terminating plans has made claims against the PBGC for unfunded pension benefits (see Table 2). Of the nearly 75,000 plans insured by the PBGC that were terminated between 1975 and 1986, only 1,345 terminations (or about 2 percent) resulted in claims. The average claim was less than \$1 million in most years of program operation, but much larger claims have become more common in recent years.

Furthermore, the bulk of the dollar value of claims against the PBGC has resulted from a very small percentage of underfunded terminations (see Table 3). Of the 1,345 underfunded plans that were terminated through the end of 1986, the eight plans with the largest claims against the PBGC account for two-thirds of the dollar value of all claims, and the top 5 percent of underfunded terminations account for over 90 percent of total claims. The concentration of claims is even greater when terminating plans are grouped by sponsor. Claims made by plans operated by the five sponsors with the largest claims account for 70 percent of the dollar value of total claims, and claims made by plans operated by the top 10 percent of sponsors account for over 95 percent of total claims.

Federal Budgetary History of the PBGC

The net financial position of the PBGC, which takes into account obligations to pay future benefits, contrasts sharply with its status in the federal budget, which uses more of a cash-flow basis for accounting.^{6/} In each year between 1981 (when the program was first included in the federal budget) and 1986, the effect of the PBGC has been to reduce overall federal outlays (see Table 4). During this period, the PBGC reported receipts in excess of benefit payments and administrative costs by a cumulative total of \$240 million. In years before 1981, the federal accounts for the PBGC also would have shown annual inflows to the program that exceeded expenses in each year of program operation.

FUTURE FINANCIAL STATUS

The experience of the pension insurance agency in 1985 and 1986 demonstrates what also has been true to a lesser degree in the past--that the

6. Federal budgetary figures for the PBGC used in this section include both the single-employer and the multiemployer insurance programs, although they are dominated by the single-employer one.

TABLE 2. PENSION PLAN TERMINATIONS AND THE CLAIMS EXPERIENCE OF THE PBGC, 1975-1986

Fiscal Year	Number of Terminated Plans	Number of Claims Against PBGC	Claims Experience of the PBGC			Net Claims as Percentage of Guaranteed Benefits
			(In millions of dollars)			
			Guaranteed Benefits in Plans Making Claims	Net Claims	Average Claim Per Plan	
1975	2,568	98	56	30	0.3	53
1976	9,104	172	88	18	0.1	20
1977	7,332	130	52	23	0.2	45
1978	5,259	101	125	73	0.7	58
1979	4,890	80	81	45	0.6	56
1980	4,037	104	166	85	0.8	51
1981	5,083	134	176	73	0.5	41
1982	6,130	127	443	263	2.1	59
1983	6,861	131	416	183	1.4	44
1984	7,709	88	60	35	0.4	59
1985	8,712	77	254	177	2.3	70
1986 <u>a/</u>	6,932	103	5,177	2,895	<u>b/</u>	56
Total	74,617	1,345	7,094	3,900	<u>b/</u>	55

SOURCE: Congressional Budget Office using data from Pension Benefit Guaranty Corporation, *Annual Report*, various years.

a. Includes 30 plans with large claims pending at the end of 1986.

b. The average claim per terminated plan is not meaningful in 1986 because of the exclusion of certain pending terminations with net claims under \$1 million.

PBGC's financial condition is being determined in large part by the behavior of the plans of a very few large sponsors. Although several thousand insured pensions terminate each year under the PBGC's supervision, with perhaps 100 plans requiring financial assistance from that agency, the liabilities derived from a small minority of plans with the largest unfunded liabilities generally represent the bulk of the claims against the PBGC.

This dominance of the PBGC's financial situation by plans with large unfunded liabilities has several implications for projecting the agency's future financial status. Although analyzing funding levels of pensions across large numbers of insured plans is useful in providing information about the

TABLE 3. DISTRIBUTION OF NET CLAIMS AGAINST THE
PBGC FOR FISCAL YEARS 1975 THROUGH 1986
(Claims in millions of dollars)

Category of Claim (By size of claim, in millions of dollars)	Net Claims (By plan)		Net Claims (By plans grouped by sponsor) ^{a/}	
	Number of Plans	Total Net Claims	Number of Sponsors	Total Net Claims
Greater than 100	8	2,636	5	2,788
50-100	1	55	6	351
25-50	12	416	7	254
10-25	19	295	10	134
5-10	22	159	11	76
2-5	45	143	41	131
1-2	62	85	45	61
Less than 1	1,176	111	968	105
Total	1,345	3,900	1,093	3,900

SOURCE: Adapted by Congressional Budget Office from Pension Benefit Guaranty Corporation, *Annual Report*, 1986.

NOTE: Data reflect the amount of the claim on the date the pension plan was terminated.

a. These columns group together all plans of a sponsor that terminate within 30 days of each other.

TABLE 4. FEDERAL BUDGETARY TREATMENT OF THE PBGC, 1975-1986 (In millions of dollars)

Fiscal Year	Expenses <u>a/</u>	Offsetting Collections <u>b/</u>	Outlays Appearing in the Federal Budget <u>c/</u>
Not Included in the Federal Budget <u>d/</u>			
1975	3.2	35.5	n.a.
1976	12.8	28.5	n.a.
1977	21.0	41.0	n.a.
1978	47.6	61.9	n.a.
1979	52.3	91.5	n.a.
1980	<u>59.1</u>	<u>90.1</u>	n.a.
Total	196.0	348.5	
Included in the Federal Budget <u>d/</u>			
1981	79.4	123.1	-29.0
1982	104.3	157.0	-66.9
1983	161.2	182.4	-9.5
1984	180.0	189.8	-9.9
1985	195.3	210.4	-19.1
1986	<u>272.1</u>	<u>343.9</u>	<u>-105.9</u>
Total	992.3	1,206.6	-240.3

SOURCE: Congressional Budget Office using data from the appendix to the federal budget, various years.

NOTE: This table includes both the single-employer and multiemployer pension insurance programs. (n.a. = not applicable.)

- a. Includes primarily administrative costs and benefit payments.
- b. Includes primarily premium income, interest income, and transfers from the pension insurance trust fund to the revolving fund.
- c. Outlays do not equal the difference between expenses and offsetting collections because of changes in obligated program balances between the beginning and the end of the fiscal year.
- d. The PBGC was first included in the federal budget in 1981, in accordance with Public Law 96-364.

funding status of pensions generally, it is not necessarily a good predictor of the amount of unfunded liabilities that will be acquired by the PBGC. Similarly, while predicting aggregate pension terminations among a large number of small plans can be done over time with some degree of accuracy using traditional statistical techniques, predicting the termination of particular plans generally is extremely difficult. These terminations are influenced by overall economic conditions, by the prosperity of particular industries, by competition from abroad, and by a variety of factors that are specific to a particular firm, such as its competitive position in the industry, its agreements with labor groups, and the assessments of its financial prospects that are necessary for it to obtain credit. The remainder of this chapter looks at the extent of underfunding in pension plans from the perspective of the pension insurance program and considers additional sources of uncertainty in future projections.

Pension Plan Funding and Potential Insurance Liabilities

Overall, the funding position of private pensions apparently has improved in recent years, but the financial prospects for the PBGC remain highly uncertain. According to most available data, single-employer defined-benefit pension plans as a group have assets that significantly exceed the present value of accrued benefits. Nonetheless, many plans remain underfunded--some with very large financial shortfalls--and these plans represent a potentially large liability for the pension insurance agency.

From the perspective of the pension insurance program, it is important to view the financial status of pensions in a particular way. First, funding valuations must be made on a termination basis rather than on an ongoing one, because only benefits accrued by the date of termination are insured. As discussed in Chapter II, this means that a plan's obligations should be based only on service to date and should not include future benefit increases resulting from projected gains in wages or tenure. Second, benefit obligations need to be further limited to those guaranteed by the PBGC. These obligations usually can be approximated using vested accrued benefits.

The risk to the pension insurance program from the termination of an underfunded pension plan depends both on the amount of the potential liability--which, in turn, is determined by the funding status of the plan and the amount that can be recovered from the plan's sponsor--and on the probability that the plan will terminate. Of these factors, however, only the level of underfunding generally is available when analyzing pension plans, and then only very approximately. The amount of money that might be recovered from the sponsor of the plan depends on the sponsor's overall

financial situation at the time of termination and on the status of the PBGC's financial claim compared with that of other creditors. The probability that the plan will terminate, as discussed above, usually is difficult even to approximate.

To investigate the extent and distribution of pension funding, data were reviewed on single-employer defined-benefit pension plans. These data were taken from Internal Revenue Service form 5500, Annual Return/Report of Employee Benefit Plan, for plan year 1984--the most recent year for which data are available. To approximate guaranteed benefits, only vested accrued benefits were considered, and the possibility of recovering funds from the plan's sponsor in the event of termination was not explored. ^{7/}

These data are limited in a number of ways, however. First, they relate only to plans with 100 or more participants. While this restricts the sample to a small minority of all plans, the included plans contain a major share of both participants and pension assets. In 1981, for example, plans with 100 or more participants accounted for about 90 percent of participants in all pension plans and included about 84 percent of total assets. ^{8/} Second, the reported value of the plan's liabilities was calculated using interest rates chosen by the sponsors. To make these rates more similar to ones used by the PBGC in determining the present value of liabilities in terminated underfunded plans, they were adjusted to a common rate that approximates the PBGC rate in that year. ^{9/}

As displayed in Table 5, the data base included about 12,700 pension plans containing nearly 22 million participants. When taken together, pension plans in this sample had an average funding ratio (assets to liabilities) of about 140 percent, with assets equal to \$378 billion and the present value of liabilities equal to about \$272 billion. About 17 percent of the plans were

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7. The data base was restricted to single-employer defined-benefit plans for which information was available on plan assets, liabilities, participants, and the interest rate used to determine liabilities. For some very large plans, some of these entries were adjusted to correct for errors and omissions.
 8. These statistics do not distinguish between defined-benefit plans and defined-contribution plans. See Richard A. Ippolito and Walter W. Kolodrubetz, eds., *The Handbook of Pension Statistics 1985* (Chicago, Ill.: Commerce Clearing House, Inc., January 1986), p. 438.
 9. An interest rate of 9 percent was used as the common rate. For a description of an approximate method for converting reported pension liabilities to those using a common interest rate, see Richard A. Ippolito, *Pensions, Economics and Public Policy* (Homewood, Ill.: Dow Jones-Irwin, for the Pension Research Council, 1986), p. 65.

TABLE 5. CHARACTERISTICS OF PENSION PLANS IN SAMPLE,
BY STATUS OF FUNDING, 1984

		(In billions of dollars)			
Number of Plans	Number of Participants <u>a/</u> (In millions)	Plan Assets	Present Value of Plan Liabilities	Funding Status <u>b/</u>	
All Plans in Sample					
Number	12,654	21.8	378.5	272.1	+106.4
Percent	100.0	100.0	100.0	100.0	n.a.
Underfunded Plans in Sample <u>c/</u>					
Number	2,176	3.7	42.3	59.2	-16.9
Percent	17.2	16.8	11.2	21.8	n.a.
Overfunded Plans in Sample <u>c/</u>					
Number	10,478	18.1	336.2	212.9	+123.3
Percent	82.8	83.2	88.8	78.2	n.a.

SOURCE: Congressional Budget Office calculations based on data from Internal Revenue Service form 5500, Annual Return/Report of Employee Benefit Plan (With 100 or more participants), 1984.

NOTES: Data are for a sample of single-employer defined-benefit plans with 100 or more participants. See text for details.

The interest rate used to calculate the present value of liabilities for each plan has been adjusted to a common rate that approximates the rate used in 1984 by the PBGC to value pension liabilities.

(n.a. = not applicable.)

- a. Includes vested and nonvested workers, former workers eligible for current or future benefits, and deceased participants whose survivors are eligible for benefits.
- b. Funding status in this column is equal to the difference between plan assets and liabilities.
- c. Underfunded plans are those with liabilities in excess of assets; overfunded plans are those with assets in excess of liabilities.

underfunded in 1984. The funding shortfall totaled \$16.9 billion, with assets in underfunded plans equal to about \$42 billion and liabilities equal to \$59 billion. Underfunded plans contained nearly 17 percent of participants in the sample.

The distribution of funding ratios of this sample of pension plans appears in Table 6. Of plans that were underfunded in 1984, the majority were at least 75 percent funded--that is, had assets equal to at least 75 percent of the present value of liabilities. Of overfunded plans, most held assets that were equal to at least 150 percent of liabilities. The distribution of pension participants by the funding category of their plans was similar to the distribution of the plans themselves.

Underfunding of pensions was concentrated among a relatively small share of all plans, however (see Table 7). Of the nearly 2,200 plans in the sample that were underfunded, the 100 plans with the largest funding shortfalls represented about 83 percent of the total--\$14 billion out of \$16.9 billion. Moreover, the 25 plans with the largest underfunding represented about 67 percent of total underfunding.

The results displayed in Tables 5 through 7 are broadly similar to ones derived from other studies that have done more in-depth analyses of smaller numbers of large plans. For example, in its study of pension plans with 1,000 or more participants, the Wyatt Company found that about 14 percent of plans had vested accrued benefits that exceeded the plan's assets, with the distribution of funding rates similar to that in Table 6.^{10/} A recent study by Johnson and Higgins revealed that only about 8.5 percent of companies in the ranks of the Fortune 500 industrial corporations and 200 large nonindustrial companies had underfunded pension plans.^{11/}

An encouraging note is that annual studies performed over the last few years generally show that funding levels have increased over time. Studies by the Wyatt Company since 1979, for example, show that the percentage of plans with pension assets at least equal to the present value of vested benefits has increased each year, rising from 45 percent in 1979 to 86 percent in 1986.^{12/}

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10. See Wyatt Company, *1986 Survey of Actuarial Assumptions and Funding* (1987), p. 57. This study analyzed the pension characteristics of over 800 plans.
 11. See Johnson and Higgins, *1985 Executive Report on Large Corporate Pension Plans* (New York, 1985), pp. 32-33.
 12. See Wyatt Company, *1986 Survey of Actuarial Assumptions and Financing*, and *1985 Survey*.

TABLE 6. DISTRIBUTION OF PENSION PLANS AND PARTICIPANTS IN SAMPLE, BY FUNDING RATIO, 1984

Funding Ratio (In percents)	Percentage of Plans	Percentage of Participants <u>a/</u>
Underfunded Plans in Sample <u>b/</u>		
0 - 49	2.7	2.4
50 - 74	4.9	7.3
75 - 99	9.6	7.1
Overfunded Plans in Sample <u>b/</u>		
100 - 124	12.9	13.4
125 - 149	16.0	18.6
150 or above	<u>53.9</u>	<u>51.3</u>
Total	100.0	100.0

SOURCE: Congressional Budget Office calculations based on data from Internal Revenue Service form 5500, Annual Return/Report of Employee Benefit Plan (With 100 or more participants), 1984.

NOTES: Data are for a sample of single-employer defined-benefit plans with 100 or more participants. See text for details.

The interest rate used to calculate the present value of liabilities for each plan has been adjusted to a common rate that approximates the rate used in 1984 by the PBGC to value pension liabilities.

- a. Includes vested and nonvested workers, former workers eligible for current or future benefits, and deceased participants whose survivors are eligible for benefits.
- b. Underfunded plans are those with liabilities in excess of assets; overfunded plans are those with assets in excess of liabilities.

Additional Uncertainties in Projecting the PBGC's Future Financial Status

Uncertainty about the future financial condition of the pension insurance program stems primarily from the absence of a sound basis on which to project future terminations of underfunded plans, and secondarily from the future effects of recent federal legislation.

TABLE 7. DISTRIBUTION OF UNFUNDED PENSION LIABILITIES
IN SAMPLED PLANS, 1984

Characteristic of Pension Plan	Unfunded Pension Liabilities	
	Billions of dollars	Percent
All Plans in Sample	16.9	100
Plans in Sample with the Largest Unfunded Benefits		
Top 25 plans	11.3	67
Top 100 plans	14.0	83

SOURCE: Congressional Budget Office tabulations based on data from Internal Revenue Service form 5500, Annual Return/Report of Employee Benefit Plan (With 100 or more participants), 1984.

NOTES: Data are for a sample of single-employer defined-benefit plans with 100 or more participants. See text for details.

The interest rate used to calculate the present value of liabilities for each plan has been adjusted to a common rate that approximates the rate used in 1984 by the PBGC to value pension liabilities.

Future Terminations of Private Pensions. Although the accumulated deficit of the PBGC has increased considerably over the last few years, and although some pension sponsors evidently have large levels of unfunded benefits, little basis exists on which to project future terminations of underfunded plans. Potential indicators of distress for a sponsor, such as corporate profitability and pension costs as a share of sales, indicate that the sponsors of some underfunded pensions may be more likely than others to terminate their plans, but this evidence is not conclusive.^{13/} Alternatively, basing future projections on aggregate levels of past terminations requires that one either accept or reject particular large claims as "normal," and that is very difficult given the uneven history of claims against the PBGC.

13. See Alicia H. Munnell, "Guaranteeing Private Pension Benefits: A Potentially Expensive Business," *New England Economic Review* (March/April 1982).

Even if one looks beyond the plans that currently appear to have large unfunded liabilities, the future financial situation of the pension insurance program is not any clearer. The questions then become whether or not large numbers of other sponsors--or a few sponsors of large plans--will develop sufficient financial difficulties to necessitate terminating their pension plans and, if so, what will be the funding status of those plans. This question also is confounded by the fact that the economic strengths of various firms often are correlated over time because at least some of the factors affecting profitability are common to groups of them.

The Future Effects of Recent Federal Legislation. A relatively small part of the uncertainty in projecting the PBGC's future financial condition is attributable to the uncertain future effects of recent changes in federal law. Changes in the pension insurance program were made raising the annual insurance premium from \$2.60 to \$8.50 per participant, limiting the conditions under which sponsors can terminate underfunded pensions, increasing the maximum liability of sponsors for unfunded guaranteed benefits, and allowing the IRS to require security when granting waivers of minimum pension contributions. Only one year has passed since the enactment of these changes under SEPPAA, however, and data on terminations since then are too limited to make conclusions about the changes' long-term effects.

Raising the insurance premium probably will have a relatively straightforward impact on the program. At \$8.50 per participant, the insurance premium represents less than 1 percent of annual pension costs for many sponsors, and overall participation in defined-benefit pensions probably will not decline significantly because of this cost increase. The impact on premium income will be an annual increase of nearly \$200 million during the next few years.

Limiting the conditions under which sponsors may terminate underfunded pensions to liquidation, reorganization, or imminent financial distress of the sponsor could restrict plan terminations somewhat, but probably not by a large amount. According to the PBGC, most of the largest claims incurred in the past would have met the new law's distress criteria, so that these criteria would have made little difference in the financial status of the PBGC had they been enacted earlier. 14/

14. According to the PBGC, only about 10 percent of the program's net claims between 1983 and 1985 would have been forestalled by these changes. See PBGC, "Promises At Risk" (Report and recommendations on single-employer pension plan termination insurance premiums, April 1987), p. 25.

Increasing the sponsor's liability for unfunded guaranteed benefits could increase PBGC's recoveries by a small amount. Under prior law, in which sponsors were liable for up to 30 percent of their net worth for unfunded guaranteed pension obligations, the pension insurance program recovered only about 8 cents for each dollar of the sponsor's liability. Under the new law, this fraction might increase somewhat, assuming the sponsors of terminating plans are in similar financial shape to those in earlier years.

Finally, explicitly authorizing the Secretary of the Treasury to require security as a condition for granting waivers of minimum pension contributions could reduce the number of future waiver applications and could also limit increases in underfunding of plans in years immediately preceding their terminations. These provisions only formalize powers and arrangements that existed under prior law, however.

CHAPTER V

CURRENT ISSUES AND POLICY ALTERNATIVES

The federal pension insurance program was established to promote the income security of participants in defined-benefit plans by guaranteeing the receipt of promised pension benefits. Some people believe that the program's mission could be in jeopardy, however, unless changes are made.

This chapter discusses several policy issues relating to the Pension Benefit Guaranty Corporation, and then examines three sets of options for altering the program. These options would reallocate program costs among pension plans, modify program features affecting the funding and termination of pensions, and directly improve the program's financial situation by increasing revenues or reducing outlays.

CURRENT ISSUES

The accelerated decline in the PBGC's financial position has focused concern on several issues, including whether or not the program needs corrective actions, the types of benefits that should be insured, and who should pay for the insurance protection.

Are Changes in the Pension Insurance Program Needed?

It might seem obvious that modifications would be required in a program that has amassed in just 12 years a funding deficiency of several billion dollars. This may or may not be so, however, depending on how the experience of the program is interpreted and on how its financial prospects are assessed.

The Case for Change. Some analysts see a need to alter the pension insurance program because of recent cost increases, the potential for continued financial difficulty, and the need to remove from program rules certain adverse incentives that they feel might lead to future financial problems.

The recent accumulation of unfunded pension claims has raised considerably some projections of future program costs. If future new claims are based on an average of the program's experience through 1986, for example, the annual premium would need to rise to about \$25 per participant in 1988, if premiums alone were used to finance the program's shortfall. ^{1/} Moreover, if the last five years of program experience is thought to be more relevant and is counted more heavily in the historical experience, then an average premium of about \$30 per participant could be required in 1988. ^{2/} Ignoring potential future claims, the existing accumulated deficit of \$3.8 billion could be repaid with a one-time charge of about \$120 per insured participant.

In addition to--or as justification for--projections based on historical trends, some analysts cite particular reasons for continued financial difficulties for the pension insurance agency. The degree of structural change in the economy may not lessen appreciably in future years, for example, in which case the conditions that gave rise to past terminations of underfunded pensions may continue to exist.

The "moral hazard" created by the insurance of pension benefits might also be a continuing problem. Even with the change in the insured event to insolvency of the plan's sponsor, the existence of insurance can reduce the cost to the sponsor and to participants of terminating an underfunded plan, thereby making that termination more likely than without the insurance. In particular, once a plan's sponsor is in sufficient financial difficulty, the insurance protection afforded pension benefits provides an incentive for both the sponsor and participants to use available corporate funds to try to save the firm, rather than contribute to the pension plan. This strategy could result in the termination of an underfunded plan in one of two ways. First, if the overall strategy of the sponsor fails and the business closes, the pension would be terminated. Second, if the sponsor remains in business but is close to insolvency, it might be allowed by federal law to terminate its underfunded pension, thereby eliminating a potentially large corporate li-

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1. This calculation assumes that average annual net claims against the PBGC will grow with average wages and with the number of covered participants, from a level of \$425 million in 1988. It also assumes that the premium in future years will be indexed to average wages, and that the accumulated deficit of the program will be amortized over 15 years.
 2. This calculation assumes that net claims grow from a level of \$650 million in 1988. This quantity is determined by averaging the 12-year claims experience of the PBGC with that for the most recent 5-year period, both adjusted to 1988 dollars.